

3.20.08: Lt. Governor Garamendi's Prepared Remarks for Carbon Forum in Palo Alto

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Thank you very much for the kind introduction. I am honored to be able to address such a fine, motivated group of innovators and to talk with you about our common challenges, our shared obligations and most importantly, the solutions at our fingertips.

Global climate change reminds us we are all interconnected, that our energy use and consumption patterns impact the entire planet. That being said, the solutions to the crisis must be as diverse and interconnected as the problem. As I look around and see all the innovative, inspired and visionary men and women in this room I am filled with great hope for our world's future.

It is not going to be an easy fight. But it has the potential to be a fruitful one. I am confident that all of the leaders that fill this room recognize that not only is climate change a devastating crisis that necessitates immediate action, but that the solutions can bring economic gains that maintain California's position as a global leader.

Experts estimate that trillions of dollars will be spent in the coming decades to address climate change: will we get the maximum environmental return on investment?

How can we harness capital markets to efficiently deploy new technologies?

Carbon Trading, the focus of this forum and something I will delve into more in a few minutes, holds promise as an economically viable way to get us there.

I know many of you are well versed in most topics related to climate change and can tell me estimated ocean level rises in the next few decades or even detail the projected supply and demand economics of the carbon trading system. So instead of getting too in-depth into something you already know so well, I want to talk with you about the future.

But first, to understand the passion I hold for the future of our environment and our economy- two interconnected things- let me first describe to you a little about my past.

I have been working on the important issues of energy, economy and environment for decades.

During the energy crisis of the 1970's as a California lawmaker I authored laws that provided significant tax reductions for energy conservation, and for wind and solar energy development.

As Deputy Secretary of the Interior during the Clinton Administration I worked with Al Gore on the Kyoto Protocol, a pioneering model for climate change and the basis for much discussion at this conference in 2008.

As Lieutenant Governor I am proud to be a member of the State Lands Commission. I will continue to require robust analysis of all the major projects that come before the Commission, and to seek mitigation and offset as a condition of project approval.

As Lieutenant Governor I also hold the very important role of Chair of the California Commission for Economic Development. In an effort to revitalize this commission and make it a body of change for our future, I have focused the commission on building a sustainable workforce for the future. Any advances toward this end must include an analysis of investments we make in fighting climate change. I am confident the Commission will do their important part in finding solutions and making forward-thinking recommendations.

Having shared a bit about my roles in and passion for this topic, let me turn now to the future. A focus that can sometimes be lost in the fascinatingly dire portraits painted of tropical diseases, snow caps melting and ocean levels rising. We now know what is at stake, but what can and must we do to paint a different portrait for our future?

First, immediate action must be taken to reduce GHG emissions.

- California must continue to take the lead and has already taken steps toward fighting climate change with AB 32.

- AB 32 is an example of the necessary action that must be taken to reduce GHG emissions. This important legislation provides the data, the referee, and when necessary the Big Stick, of government to address Global Climate Change. The government can set standards, create baselines, and get everyone on the same page.

• Additional action by the Air Resources Board including mandatory reporting for the organizations in California responsible for the greatest production of GHG is a step in the right direction.

I am excited and impressed by the work that CARB and the Climate Action Team have accomplished so far. The analysis, organization, policy setting and implementation of this sweeping law is cause for new faith in Government.

Although much progress has been made, we certainly have a long way to go with deadlines drawing closer. We are fighting for the Pavley Bill in court against our own federal EPA. We are awaiting CARB's full scoping plan and the eventual implementation of the low carbon fuel standards. We must also take the leadership in establishing powerful market based mechanisms that provide incentives for individuals, companies, and industries to reduce their GHG emissions. Stringent cap and trade systems must be in our future, and there must also be command and control mechanisms where cap and trade do not work.

In facing these challenges we are blazing the trail for all the other states, our nation and other countries of the world. It is a great tragedy that George W. Bush and his oil government have wasted eight years by refusing to address the Climate Crisis. But in less than a year we will be rid of him and his backward government. Then California's leadership will really be important as we open our doors to other nations and export our laws, regulations, technology and our experience to other states and nations and receive their innovations in return.

The actions I just outlined are vital to the future of this great state. But it does not stop there. California, along with other leading nations, must do more to combat the climate change that is already underway. Emissions trading is one such method that shows great promise in bringing about both environmental and economic sustainability. With important regulations and inspection methods in place, it has the potential to encourage cleantech investments, curb carbon emissions, and steer us on a path of both environmental and economic sustainability.

Keeping in mind lessons learned with the European Union and elsewhere across the world, a carbon trading system must include the following elements, outlined very well in recent CARB reports, in order to achieve both environmental and economic sustainability:

1. Reducing GHGs through carbon trading will require a combination of regulation and market mechanisms- some regulation can make up for market failures or imperfections.
2. We must adopt a cap and trade system as soon as possible to send the signal that our state is serious about reducing carbon. Early efforts toward this will be rewarded
3. The cap and trade system can and should be designed to promote early action. Even early and unambiguous signals that the system is going to be employed creates incentives for early action, since all early action represents later savings (decreased need for the purchase of the allowance)
4. California should adopt the higher cap and phase it in. This would allow higher, but constantly declining emissions to be permissible in years running up to the deadline.
5. The general approach should be to expand cap and trade over time to include as many economic sectors as possible. Utilities energy sector should be a first priority with large industrial sites and transportation also included as rapidly as possible
6. Extension of the program should depend on a determination that data is available, and sufficiently standardized and that monitoring and enforcement can occur at cost effective levels
7. Fugitive emissions and emissions from biological processes are too hard to measure and monitor and should not be in a cap and trade system
8. For the electricity sector at least and other sectors as appropriate "the first seller" should be required to hold allowances. This could be an investor owned utility or a non utility generator, selling on a wholesale basis to the utility.
9. The highest percentage of allowances, at or approaching 100%, should be auctioned. Freely distributing allowances can generate windfall profits, and whatever equities might be achieved in giving away allowances could be addressed with equitable distribution of proceeds from allowance auction.
10. Revenue from auctioned allowances should be used to address program needs. These could include investments in technologies and fuels that curb GHGs, energy efficiency, financing pollution reduction in "hotspots" or communities that bear disproportionate environmental and public health burdens, and to provide transition assistance to workers and firms subject to strong market pressures including competition from uncapped jurisdictions, or the disproportionate burden of compliance with regulatory requirements.
11. Auctioning and not grandfathering or free distribution creates the greatest incentive for early action.
12. Offsets should be allowed as part of an overall cap and trade system, but only the extent that the system assures that offsets are real, additional, independently verifiable, permanent, enforceable and transparent.

There is good news, and certainly hope, as we face this critical challenge of global warming. Beyond the potential benefits of a carbon trading system fighting climate change shows promise for many residual economic benefits.

The innovation and redirection of human capital that is necessary to solve the global warming problem will conserve resources, increase productivity and create new jobs.

By 2020, in California alone, we can expect a net increase of 83,000 jobs and \$4 billion, in income, above and beyond the substantial growth that will occur between now and then.

This is a winning strategy toward sustainability in sectors across the board. We are saving in the long run by investing in the present.

California has a proud history of facing seemingly insurmountable challenges and coming out stronger and more united. This history has prepared us to be leaders in this crisis of Climate Change.

As members of this increasingly shrinking global society we have the resources and the obligation to face the challenge of Global Climate Change. The leaders endowed with talent, innovation, resources, and wealth, and strong democratic institutions must lead the world toward sustainable solutions. We have a responsibility to work together.

When I call on leaders to join me in the global fight against climate change, I am talking about more than our top elected officials. Leadership is required at every level of state, local, and regional government, and within every aspect of the private sector.

This means elected officials certainly, but it also means teachers, city planners, procurement officers, local utility executives, and waste management officials. It means construction workers, contractors, restaurant owners, and shoe makers, designers, engineers, and mail carriers.

Each of us must be leaders in our workplaces, our communities and our homes. Leadership to create a sustainable future, both environmental and economic, must be as pervasive and individualized as the problem.

We have made a very good start, one that we can be proud of. But we must continue to work together and be leaders in implementing energy efficiency and reducing GhG emissions. The world is watching and will benefit from our cooperation.

This journey toward a sustainable path is not a walk of austerity. I firmly believe that the changes we make will bring us health and prosperity in the long run. If we find a truly sustainable path, we will not simply avert disaster, but also create the kind of world we want leave our children.